Ministry of
Energy and Mines

2002/03
Annual Service Plan Report

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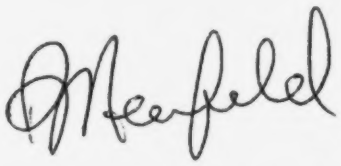
Accountability Statement

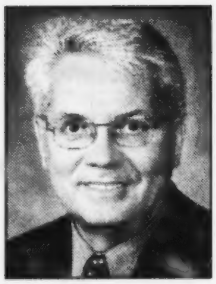
The 2002/03 Ministry of Energy and Mines Annual Service Plan Report was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. This report compares the actual results to the expected results identified in the Ministry's 2002/03 Service Plan. I am accountable for the Ministry's results and the basis on which they have been prepared.



Honourable Richard Neufeld
Minister of Energy and Mines
June 2003

BRITISH COLUMBIA

Ministry of Energy and Mines



Under the leadership of Premier Gordon Campbell, the Government has moved forward with its commitment to revitalize our economy.

As a key component of the Government's Heartlands Economic Strategy, the Ministry of Energy and Mines made significant progress in fiscal year 2002/03 in opening up British Columbia to opportunities for economic growth.

In November 2002, we announced *Energy for our Future: A Plan for B.C.* designed to increase investment in the energy sector and maintain low-cost electricity and public ownership of BC Hydro.

The plan reflects our Government's vision of the future for both the energy sector and the Province as a whole — a prosperous future, lively with opportunity.

Our Government has committed to developing a thriving offshore oil and gas industry by 2010. We received approval for up to $8 million to the end of fiscal 2004 to establish and resource a dedicated offshore oil and gas team to work with First Nations, coastal communities and the Federal Government to move toward this goal.

We successfully completed oil and gas service agreements with First Nations in the northeast and in April 2002, we announced $2 million for the University of Northern BC for research proposals related to offshore oil and gas exploration and development.

Revenue from oil, natural gas, electricity and mineral resources was $1.51 billion for 2002/03 — 4 per cent higher than estimates and 16 per cent higher over last fiscal.

Our Ministry continues to ensure the energy and minerals sectors play key roles in revitalizing the economy and positioning British Columbia as a preferred choice for North American investment. The extension of provincial flow through share tax credits in combination with the Federal Government's mineral exploration program has given British Columbia the advantage of having the highest mineral exploration tax credit in Canada.

This past year, we introduced enabling legislation aimed at encouraging mining and mineral development in British Columbia. We streamlined regulations to enhance access to coal and mineral title holders with the 2-Zone land use system.

Government is encouraged by a modest increase in mineral exploration spending and growth in British Columbia's market share of Canadian exploration dollars. This past year also saw a 34% increase in claims staked.

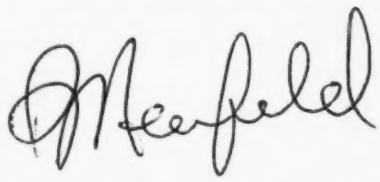
The Ministry introduced the *Coalbed Gas Act* to encourage development of a coalbed methane industry in British Columbia.

In keeping with the Government's goal to reduce regulatory burden, the Ministry reduced unnecessary regulations by about 15 per cent (or 2,657 regulations).

I am proud of the successes the Ministry has achieved this year and look forward to more accomplishments in the coming year.

This report is designed to reflect an open and accountable approach to the way Government serves British Columbians.

I am pleased to present the details of our success in this annual report for fiscal year 2002/03.



Honourable Richard Neufeld
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TABLE OF CONTENTS

Accountability Statement III

Message from the Minister V

Year-at-a-Glance Highlights 3

Ministry Role and Services 5

Performance Reporting 24

Report on Resources 31

Annual Service Plan Report Appendices 34

Year-at-a-Glance Highlights

A weak US economy and lower energy and commodity prices made for a challenging economic environment in the energy and mining sectors in fiscal 2002/03, and curtailed anticipated exploration and production activity. However, 2002/03 also saw the implementation of some significant Government initiatives that will lay the foundation for more private sector opportunities in the future, including the release of the Government's new energy plan, and legislation to resolve coalbed methane ownership. The Ministry's achievements in 2002/03 include:

- **Energy Plan** — the Government released its energy plan in November 2002, *Energy for our Future: A Plan for BC*. The plan is designed to increase investment in the energy sector and maintain low-cost electricity and public ownership of BC Hydro.
- **Offshore Oil and Gas** — Cabinet approved up to $8.2 million to the end of fiscal 2004 ($2.4 million in fiscal 2002/03; and $5.8 million in fiscal 2003/04) to establish and resource a dedicated offshore oil and gas team.
- **Revenues** — revenues from oil, natural gas, electricity and mineral resources were $1.51 billion for 2002/03, 4 per cent higher than revenue estimates and 16 per cent higher over last fiscal.
- **Oil and Gas Rights Sales** — dispositions of British Columbia's oil and gas rights brought in over $280 million for 2002/03.
- **Coalbed Methane (CBM)** — British Columbia has a huge coalbed methane endowment of approximately 89 trillion cubic feet. In order to provide certainty of CBM ownership to enable development of a CBM industry in British Columbia, the Ministry developed the *Coalbed Gas Act*. The Act will be brought into force in 2003/04.
- **Revenue Initiatives** — the Ministry received Cabinet approval and $5 million funding (for 2002/03) to enable it to act upon significant revenue generation and investment creation opportunities over the next three fiscal years with respect to ten projects in the energy and minerals industries, including: road rehabilitation, coalbed methane development, core laboratory enhancements, and pre-tenure plan participation, amongst others.
- **Mining Two Zone Land Use System** — to increase investor confidence, a new "two zone" land use system for mineral exploration and mining was created to clearly define lands as either open or closed for exploration and mining.
- **Health, Safety and Reclamation Code (HSRC)** — is the primary regulatory mechanism for mines in British Columbia, from exploration to mine closure and reclamation. The Ministry completed a review of the HSRC, which resulted in eliminating over 900 requirements and the replacement of prescriptive by performance based regulations.
- **Deregulation** — the Ministry reduced unnecessary regulations by approximately 15 per cent (or 2,657 regulations). This was largely achieved by adjustments made by the Oil and Gas Commission, and revising the Health, Safety and Reclamation Code for Mines in British Columbia.

- **First Nations** — Treaty Negotiations Office announced the establishment of the First Nations Economic Measures Fund to support economic development projects involving First Nations. $1.9 million has been set aside for oil and gas projects. Several projects were given notional approval in 2002, with a strong focus on Treaty 8 First Nations communities.
- **Community Information Forums** — the Ministry completed a series of six community information sessions in various locations around the Province to provide communities with information on resource development opportunities, including safe coalbed methane development.
- **Investment Promotion** — the Ministry promoted investment opportunities in British Columbia's mining and oil and gas sectors, which included participating in major North American oil and gas, and mining shows.
- **Mineral Exploration** — spending increased to $40 million in 2002.
- **Mineral Claims** — have increased 34 per cent over last year due in part to an increase in metal prices and a more favourable mining regime in the Province.

Ministry Role and Services

Introduction

The Ministry of Energy and Mines is the primary provincial agency for the long-term development of British Columbia's energy and mining resources, including:

- Minerals, aggregate and metallurgical coal;
- Natural gas and oil;
- Coalbed methane;
- Offshore oil and gas; and
- Energy, including alternative energy.

The Province's oil, natural gas, electricity and mineral resources sectors continue to be a significant economic engine in British Columbia's economy, as well as a substantial revenue generator for the Province. In 2002/03, the energy and mining sectors contributed approximately $1.51 billion in provincial revenue, an increase of 16 per cent over the previous fiscal year. British Columbia's oil and gas industry was particularly robust and saw continued growth in exploration activity in 2002/03, although at a slower pace than the unprecedented growth of the previous year. Mining exploration expenditures increased (exploration spending has been on the rise over the last two years, 1999 was the lowest year) and are estimated at $40 million for 2002.

The past year has seen a number of significant policy developments as part of the Government's efforts to enhance British Columbia's competitiveness, as well as to increase investment in the energy and mining sectors. Among these developments was the release of the Government's energy plan, *Energy for our Future: A Plan for BC*, designed to increase investment in the energy sector and maintain low-cost electricity and public ownership of BC Hydro. Also, to increase investor confidence in the mineral sector, a new "two zone" land use system for mineral exploration and mining has been created to clearly define land as either open or closed to exploration and mining.

The Ministry employed a successful targeted geoscience program with 13 partnerships adding significant knowledge to our resource potential.

In addition, Cabinet approved up to $8 million to March 31, 2004 to enable the Ministry to establish an offshore oil and gas team to begin addressing scientific and other questions to ensure that offshore oil and gas resources are developed in a scientifically sound and environmentally responsible manner.

This Annual Service Plan Report describes the Ministry's goals, objectives and strategies, as well as reports on the degree to which the Ministry succeeded in achieving its performance targets in 2002/03.

Ministry Vision, Mission and Values

Vision

The Ministry of Energy and Mines serves as a catalyst and facilitator for developing thriving, competitive, safe and environmentally responsible energy and mining resource sectors, and for increasing their contribution to the provincial economy for the benefit of all British Columbians.

Mission

The Ministry of Energy and Mines promotes British Columbia's energy and mining investment opportunities and fosters a competitive investment climate, which encourages responsible development of energy and mining resources, supports job creation, and ensures environmental protection and public and worker health and safety.

Core Values

The following values define the Ministry's management style and govern the way it makes decisions. They guide Ministry staff in interacting with each other, other government agencies, the private sector and other stakeholders.

Core Values	
Advocacy	The Ministry promotes the economic development of British Columbia's energy, mineral and coal resources to create prosperity for the benefit of British Columbians. The Ministry represents the people of British Columbia, as owners of the natural resources. The Ministry represents the interests of the energy and mining sectors to broader stakeholder groups and supports those sectors in responsible development of provincial resources. The Ministry informs the Government, industry and citizens of the Province of the benefits of responsible resource development.
Integrity	The Ministry is committed to developing the Province's energy and mining resources in a fair and responsible manner that protects health, safety and the environment.
Transparency	The Ministry ensures its regulations, processes and decisions are applied in a fair and open manner, and that related and relevant information is adequately communicated to its stakeholders and the general public.
Responsiveness	The Ministry strives to respond to the needs of its stakeholders and the public in a timely and effective manner.
Efficiency	The Ministry strives to deliver its programs and strategies in the most efficient manner to enhance British Columbia's competitiveness as a resource investment location.
Accountability	The Ministry is accountable to Government and the public and strives to ensure that its actions deliver the results put forth in its Service Plan.
Professionalism	The Ministry is committed to maintaining the highest standards of innovation, quality, teamwork, and developing an entrepreneurial attitude in the professional public service.

Ministry Overview

Since 1874, the British Columbia Ministry of Energy and Mines has been the primary agency responsible for the long-term development of the Province's energy and sub-surface mineral resources.

Today, the Ministry's primary responsibilities are to:

- Market and promote British Columbia as a competitive location for resource industry investment;
- Set policy to ensure maximization of resources for the benefit of British Columbians;
- Provide expertise on land use planning to ensure access to mineral resources;

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- Enhance British Columbia's position as a key player in global energy, mineral and coal markets;
- Create a competitive regulatory environment that makes it easier and cost-effective for companies to do business in British Columbia;
- Encourage responsible development of British Columbia's energy and mining resources;
- Ensure protection of the environment;
- Protect public and worker health and safety;
- Build relationships to facilitate First Nations' participation in the energy and mining sectors;
- Build relationships with stakeholders to build ties with communities;
- Undertake assessments to determine British Columbia's resource potential;
- Develop policies to nurture new resource development opportunities; and,
- Manage the disposition of mineral and petroleum rights.

The Minister of Energy and Mines is also responsible for BC Hydro, the Oil and Gas Commission, British Columbia Utilities Commission, Columbia Basin Trust, Columbia Power Corporation, and the Mediation and Arbitration Board. Each agency prepares its own annual report.

The Ministry delivers its programs and services through four core business areas, these are:

New Ventures: responsible for a variety of initiatives to stimulate short term and long-term development of mineral, oil and gas resources.

Energy and Minerals: responsible for the management of the Province's subsurface resources and for the regulation of the industries that explore and develop those resources.

Resource Development: provides for the planning, evaluation, and policy development of the Province's electricity, alternative energy, mining, oil, gas and other subsurface resources.

Corporate Services: provides administrative and executive support which is shared with the Ministry of Competition, Science and Enterprise.

Ministry Operating Context

The operating context is an assessment of the general environment the Ministry, and the mining and energy sectors faced during 2002/03. This section describes some key external factors, as well as identifies internal government factors that have affected Ministry operations. This section also identifies some of the current and potential challenges facing the Ministry, and the energy and mining sectors.

External Factors

British Columbia's energy sector has seen robust growth over the past few years and has emerged to become an increasingly important contributor to British Columbia's economy, as well as a significant primary resource revenue generator for the Province. Furthermore, energy prices are expected to remain strong, and demand for British Columbia's mineral commodities is expected to grow with metal prices forecast to strengthen in 2003.

Oil and Gas Resources

British Columbia has an enormous undeveloped resource base estimated to be worth billions of dollars. The unconventional resources include: coalbed methane, offshore oil and gas, tight gas, interior basins and marginal resource plays. Of these, the resource with the greatest potential for development in the near future is coalbed methane (CBM). There are estimated to be 35,600 billion cubic feet of recoverable CBM from British Columbia coal fields, with an estimated potential royalty revenue of $16.6 billion annually. Approximately $50 million in CBM investment has already occurred.

Offshore oil and gas is another resource potential. A 1998 Geological Survey of Canada report showed there is potential for 9.8 billion barrels of oil and 25.9 trillion cubic feet of gas in the Queen Charlotte Basin in Hecate Strait, 9.4 trillion cubic feet of gas collectively in the Winona and Tofino basins off the west coast of Vancouver Island, and 6.5 trillion cubic feet of gas in the Georgia Basin near the Lower Mainland. If recoverable, these resources could provide the Province with direct revenues of up to $1 billion annually for thirty or more years.

Mineral Resources

The Province's mining industry has recently experienced considerable difficulty as weak market prices and mine closures contributed to low levels of exploration. In 2001, British Columbia saw three mine closures, due to depleted resources and low metal prices, and the active mines spent only $10 million funding new reserves. Tax cuts and regulatory changes were expected to have a positive impact on the mining sector and pushed exploration investment to approximately $40 million in 2002. However, this amount is considerably below both British Columbia's historic investment levels, and current investment levels experienced by other provinces. The mining industry estimates it takes approximately $100-150 million in exploration expenditures to generate one new mine. At this rate, exploration investments are insufficient to replace existing mines scheduled to shut down once their ore reserves are exhausted. However, the outlook for metal prices is expected to trend upwards in the next 2–5 years, and British Columbia has undeveloped and undiscovered mineral resources to take advantage of the worldwide price recovery.

In short, concerted efforts to grow British Columbia's oil and gas, and mineral sectors will pay large dividends over the remainder of this decade and beyond.

Internal Factors

- The Ministry continued to restructure focusing on internal efficiencies and moving toward results based regulation and performance based compliance and enforcement. Budget and staffing allocation has been adjusted accordingly.
- The reduction in Ministry staff resources has also necessitated changes in how the Ministry delivers its core functions.
- Implementation of the Government's shared services system has resulted in staff relocations and required staff adjustments regarding roles and responsibilities with respect to finance, information technology, and human resources functions.
- Like other ministries across Government, the Ministry of Energy and Mines faces demographic issues as a result of an ageing workforce. This presents significant recruitment and succession challenges.

Risk Assessment

The energy and mining sectors are subject to various risks and uncertainties. This section identifies the challenges that can impact the energy and mining sectors, and consequently Ministry operations, and the royalties and taxes accruing to the Government from these sectors. Over the past year, the Ministry has focused on an overall move to create investor and consumer confidence. Strategic shifts and a focus on client service are designed to attract investors to opportunities in British Columbia. Policies have been employed to create results based regulations as well as performance based compliance and enforcement.

- Energy and mineral revenues are highly dependent on commodity prices. Energy markets, in particular, have been very volatile in recent years and these price fluctuations create risks to the forecast. Introduction of British Columbia's Energy Plan adds domestic security ensuring low-cost energy and continued public ownership of BC Hydro while providing more opportunities for investment.
- The Ladyfern field in the Western Sedimentary Basin accounted for 18 per cent of raw gas production and 23 per cent of provincial royalties in 2002. However, high production rates may result in a shorter reserve life for this field. More exploration is being encouraged to facilitate continued production for the Ladyfern area. The Ministry continues to work with industry, communities and First Nations to encourage a competitive investment climate in British Columbia. The recently introduced Oil and Gas Development Strategy is an example of the flexibility employed to attract investment.

- During the next seven years, all six remaining metal mines in British Columbia will have exhausted their known reserves. The Highland Valley copper-molybdenum mine, the Province's largest metal mine with approximately 950 employees, is scheduled to close in 2008. With these closures, over 2,350 direct mining jobs will be lost by 2010. The Ministry of Energy and Mines, together with the Ministry of Sustainable Resource Management and the Ministry of Water, Land and Air Protection, approved an innovative plan to extend the life of HVC and further protect the 950 jobs at the mine.
- The potential revenue from offshore oil and gas reserves could be as much as $1 billion annually over a 30 year period. Development of the offshore resources will require resolution of a number of issues, including: accommodating First Nations interests; addressing local community issues; mitigating environmental concerns; and reaching an understanding with the Federal Government on fiscal and regulatory matters. Recognizing the potential opportunities for coastal communities and First Nations, the Government established a dedicated Offshore Oil and Gas Team. The Team reports to the Ministers of Energy and Mines and Competition, Science and Enterprise.
- Investor certainty and confidence will be enhanced by timely completion of the land use planning process. Delays in concluding the Province's land-use planning process will be an impediment to potential investment in areas where the process is ongoing. The Ministry of Energy and Mines has worked in concert with the Ministry of Sustainable Resource Management to ensure that subsurface values are addressed in land-use planning. The Ministry now employs a formula for subsurface values that are used at planning tables.

Significant Changes in Policy and Program Direction

This section identifies significant policy and program changes that occurred in 2002/03.

Energy Plan

In November 2002, the Government released its energy plan, entitled *Energy for Our Future: A Plan for BC*. The four cornerstones of The Energy Plan are: lower electricity rates and public ownership for BC Hydro; secure, reliable supply; more private sector ownership opportunities; and, environmental responsibility and no nuclear power sources. The plan clarifies the Government's intentions for energy supply and the role for private sector investment. Specifically, the plan sets out the policy actions to retain BC Hydro in public ownership and to maintain secure, safe, low-cost energy for the future. It also contains measures to stimulate economic growth by supporting increased investment across a range of energy source and enhanced conservation measures and targets for the development of clean energy sources.

Revenue Generating Initiatives

In 2002/03, Cabinet approved an additional $5 per year million funding for the Ministry to pursue revenue generating and investment creation opportunities. This will be targeted for facilitating onshore oil and gas opportunities. Expenditures over the next three fiscal years, with respect to ten projects in the energy and minerals industries (including road rehabilitation, coalbed methane development, core laboratory enhancements, and pre-tenure plan participation, amongst others), are expected to produce incremental revenues of $27.2 million, $40.2 million and $65.3 million respectively.

Coalbed Methane

The Government introduced the *Coalbed Methane Act* in March 2003. Prior to the Act, there was uncertainty about whether coalbed rights were legally owned by the owner of the coal rights, or whether investors could gain access to the gas as a separate resource. The Act clarifies this uncertainty and confirms British Columbia's long standing policy that coalbed methane is a natural gas owned by the holder of natural gas rights.

Performance Based Regulations

Revisions to the Health, Safety and Reclamation Code for Mines in British Columbia, completed in 2002/03, were designed, where practical, to move the code from a prescriptive format to a results based format. A results based code is one where code requirements are stated as an outcome or result. A prescriptive code is one where code requirements are stated as specific directions (rather than outcome).

Offshore Oil and Gas Team

On January 10, 2003 the Province established the British Columbia Offshore Oil and Gas Team. The Team has the mandate to move forward on a number of issues including: resolving science and other information gaps; assessing the risks associated with offshore oil and gas development; and, developing a strategy to ensure that other activities such as fishing are not adversely affected.

Targeted Geoscience Partnerships

The Ministry established 13 public-private partnerships, several of which were multiple-partner projects. These partnerships resulted in new geoscience maps and reports to enhance mineral potential across the Province.

Update on *New Era* Commitments

The following table identifies the Government's priorities for which the Ministry is responsible for, and describes the current status of each priority.

New Era Promises	
Government Priority	Comments
Oppose the Sumas 2 power projects and phase out Burrard Thermal.	The Province, led by the Ministry of Water, Land and Air Protection, is an intervenor in the review of the Sumas 2 power project. An application for associated transmission lines will be before the National Energy Board in 2003. The role of the Burrard Thermal generation station is being considered as part of the Energy Plan implementation currently underway.
Protect BC Hydro and all its core assets, including dams, reservoirs and power lines under public ownership.	The Energy Plan provides for more private sector opportunities to develop British Columbia's energy resources. A new Crown corporation, the BC Transmission Corporation, was created to operate, plan and manage BC Hydro's transmission system. This will improve access to the transmission system for independent power producers, who will now be able to sell directly to large customers as well as ensuring continued access to external markets. Continued public ownership of BC Hydro's core assets, their reregulation by the BCUC, locking in the value of BC Hydro's existing generation low cost assets and ensuring future benefits from electricity trade, will mean continued low electricity rates for British Columbians.
Restore an independent BC Utilities Commission to regulate BC Hydro's electricity rates.	BC Hydro rates have been exempt from reviews by the BC Utilities Commission since 1993. The Energy Plan stipulated that BC Hydro's rate freeze ended on March 31, 2003 and restored an independent BC Utilities Commission to ensure energy rates are set in an independent, open, fair and transparent way.
Encourage mineral exploration.	In order to have a healthy, sustainable mining industry in British Columbia, it is essential that the mineral exploration industry be robust. Estimates are that $125 million in exploration are required to find a new mine. The Ministry will enhance mineral exploration in British Columbia by reducing regulatory requirements for sub-bulk sample level exploration projects, refocusing geoscience programs and ensuring a competitive tax and regulatory regime.

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New Era Promises	
Government Priority	Comments
Consider the Northern Development Commissioner's report on offshore oil and gas.	The Northern Development Commissioner's report was submitted to Government on July 5, 2001. The Premier announced that the Northern Caucus would consult with northern residents and community leaders regarding a range of issues including the Commissioner's report on offshore oil and gas. In March 2001, UNBC was provided with a $2 million grant to respond to recommendations made in the Scientific Review Panel and Offshore Oil and Gas Task Force Reports. In October 2002, the Province approved up to $8 million, to the end of fiscal 2004, for the establishment of a dedicated offshore oil and gas team to ensure that offshore oil and gas resources are developed in a scientifically and environmentally responsible manner. This also includes working with First Nations, communities, industry and other governments to clarify the risks and benefits associated with offshore oil and gas. The Team was announced on January 10, 2003.
Promote clean and renewable alternative energy sources like wind, thermal, solar, tidal biomass and fuel cell technologies.	As part of the Energy Plan, electricity distributors will pursue a voluntary goal to purchase at least 50 per cent of their new power supply from resources that are renewable or result in a net environmental improvement over existing generation. This will provide Independent Power Producers with opportunities to develop clean energy sources such as micro-hydro, cogeneration, wind, solar and fuel-cell power.

Key Projects: Set Out in the Premier's Letter to the Minister (June 25, 2001)	
Government Priority	**Comments**
Develop an energy policy that balances the role our energy resources can play in the economic development of the Province with the export and revenue opportunities these resources represent. The policy addresses issues related to the regulatory environment and Government stewardship.	The Energy Plan provides for more private sector opportunities and they will be key players in British Columbia's energy future by developing resources. BC Hydro will be restructured into two separate Crown corporations, one for generation and distribution, and the other for transmission. Independent power producers will be able to access the transmission system and sell directly to large customers, thereby stimulating new investment in power generation. The Government encourages low cost private power production which can develop projects to meet British Columbia's growing demand.
Examine opportunities to further improve efficiency of the Oil and Gas Commission (OGC).	The Ministry and OCG have undertaken reviews of OGC processes through the Deregulation Initiative and the Core Services Review process. The OGC has implemented a single-window approach for the permitting approval process, and in so doing has eliminated a number of regulatory requirements to improve efficiency.
Review the offshore oil report prepared by the Northern Development Commission and make recommendations, in conjunction with the Ministry of Water, Land and Air Protection (MWLAP) and the Ministry of Sustainable Resource Management (MSRM).	In October 2001, the Ministry contracted with Jacques Whitford Environment Ltd. to undertake a review of current technology related to offshore oil and gas. MSRM and MWLAP participated in the assessment of proposals and in the review of the draft report. The final Whitford report, released on October 23, 2001, concluded that offshore exploration could occur without unacceptable risk to the environment. Coordination with MWLAP and MSRM occurs through the Deputy Ministers' Committee on Natural Resources and the Economy.
Funding for Power for Jobs has been cancelled; review and make recommendations regarding reallocation of the funding.	The Power for Jobs program has been cancelled. Revenues from the sale of the Columbia River Downstream Benefits currently flow to general revenue; therefore, there are no reallocation issues to be considered.
Participate actively in supporting the success of the Ministry of Sustainable Resource Management (MSRM).	The Ministry collaborates with MSRM in a variety of areas, including strategic land use planning, First Nations issues (interim measures and consultation processes), land access issues and tenuring. The Deputy Minister of MEM is a member of the Deputy Ministers' Committee on Natural Resources and the Economy.

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Government Priority	**Comments**
Consider the Northern Development Commissioner's report on offshore oil and gas.	The Northern Development Commissioner's report was submitted to Government on July 5, 2001. The Premier announced that the Northern Caucus would consult with northern residents and community leaders regarding a range of issues including the Commissioner's report on offshore oil and gas. In March 2001, UNBC was provided with a $2 million grant to respond to recommendations made in the Scientific Review Panel and Offshore Oil and Gas Task Force Reports. In October 2002, the Province approved up to $8 million, to the end of fiscal 2004, for the establishment of a dedicated offshore oil and gas team to ensure that offshore oil and gas resources are developed in a scientifically and environmentally responsible manner. This also includes working with First Nations, communities, industry and other governments to clarify the risks and benefits associated with offshore oil and gas. The Team was announced on January 10, 2003.
Promote clean and renewable alternative energy sources like wind, thermal, solar, tidal biomass and fuel cell technologies.	As part of the Energy Plan, electricity distributors will pursue a voluntary goal to purchase at least 50 per cent of their new power supply from resources that are renewable or result in a net environmental improvement over existing generation. This will provide Independent Power Producers with opportunities to develop clean energy sources such as micro-hydro, cogeneration, wind, solar and fuel-cell power.

Key Projects: Set Out in the Premier's Letter to the Minister (June 25, 2001)	
Government Priority	**Comments**
Develop an energy policy that balances the role our energy resources can play in the economic development of the Province with the export and revenue opportunities these resources represent. The policy addresses issues related to the regulatory environment and Government stewardship.	The Energy Plan provides for more private sector opportunities and they will be key players in British Columbia's energy future by developing resources. BC Hydro will be restructured into two separate Crown corporations, one for generation and distribution, and the other for transmission. Independent power producers will be able to access the transmission system and sell directly to large customers, thereby stimulating new investment in power generation. The Government encourages low cost private power production which can develop projects to meet British Columbia's growing demand.
Examine opportunities to further improve efficiency of the Oil and Gas Commission (OGC).	The Ministry and OCG have undertaken reviews of OGC processes through the Deregulation Initiative and the Core Services Review process. The OGC has implemented a single-window approach for the permitting approval process, and in so doing has eliminated a number of regulatory requirements to improve efficiency.
Review the offshore oil report prepared by the Northern Development Commission and make recommendations, in conjunction with the Ministry of Water, Land and Air Protection (MWLAP) and the Ministry of Sustainable Resource Management (MSRM).	In October 2001, the Ministry contracted with Jacques Whitford Environment Ltd. to undertake a review of current technology related to offshore oil and gas. MSRM and MWLAP participated in the assessment of proposals and in the review of the draft report. The final Whitford report, released on October 23, 2001, concluded that offshore exploration could occur without unacceptable risk to the environment. Coordination with MWLAP and MSRM occurs through the Deputy Ministers' Committee on Natural Resources and the Economy.
Funding for Power for Jobs has been cancelled; review and make recommendations regarding reallocation of the funding.	The Power for Jobs program has been cancelled. Revenues from the sale of the Columbia River Downstream Benefits currently flow to general revenue; therefore, there are no reallocation issues to be considered.
Participate actively in supporting the success of the Ministry of Sustainable Resource Management (MSRM).	The Ministry collaborates with MSRM in a variety of areas, including strategic land use planning, First Nations issues (interim measures and consultation processes), land access issues and tenuring. The Deputy Minister of MEM is a member of the Deputy Ministers' Committee on Natural Resources and the Economy.

Deregulation	
Government Priority	Comments
Cut unnecessary red tape by one-third over the next three years (by June 2004).	The Ministry has actively participated in Government's deregulation initiatives. The Ministry has a regulatory reduction target of 11 per cent in each of the three fiscal years 2002/03 to 2004/05 (ending June 2004). This means a reduction of 5,847 regulations. In 2002/03, the Ministry exceeded its target and eliminated 2,657 regulations or 15 per cent of its regulation count.

Core Business Areas

The Government's overarching aim is for British Columbia to have the best performing economy and the highest quality of life in North America. To achieve this, the Government created three overreaching goals:

- A strong and vibrant provincial economy;
- A supportive social infrastructure; and
- Safe, healthy communities and a sustainable environment.

To support these goals, the Ministry developed a vision to *"serve as a catalyst and facilitator for developing thriving, sustainable and competitive energy and mineral resource sectors for the benefit of all British Columbians."* In order to effectively and efficiently deliver functions to support the Ministry's vision and its corresponding goals and objectives, the Ministry created four core business areas for the provision of programs and services. The core business areas are:

- New Ventures;
- Energy and Minerals;
- Resource Development; and
- Corporate Services.

New Ventures

The New Ventures Branch is responsible for developing innovative polices and programs which support the objectives of doubling oil and gas production in British Columbia, significantly increasing revenues. Specifically, New Ventures Branch responsibilities include:

- Create, implement and administer policy relating to resource road development, including expenditure and collection of money for the purposes of road construction and maintenance;
- Conduct geoscientific studies to determine petroleum, natural gas and coalbed methane resources;
- Conduct socio-economic and financial assessments of resource development opportunities; and
- Lead fiscal policy development related to petroleum and natural gas.

Key Programs	Outputs
Resource Road Development	• Concluded an agreement in principle with oil and gas producers to undertake a $38 million upgrade to the Sierra-Yoyo-Desan Road. • Completed 163 km of hard surfacing and rehabilitation at a cost of $20.143 million on Oil & Gas Initiative 2 roads in the Northeast.
Coalbed Methane	• Stakeholder, First Nation and public information sessions completed around the province. • Produced water code of practice developed jointly with WLAP and OGC. • New coalbed methane royalty enacted. • Geological reports and studies completed. • Promotion of the resource potential through trade shows and technical conferences.
Mineral Ownership	• Development of *Coalbed Gas Act* for spring session of the Legislature. • First stage of review of mineral title registration complete. • Mineral title research for portions of Esquimalt and Nanaimo Railway Belt acquired from third parties. • Mineral title research in remainder of Esquimalt and Nanaimo Railway Belt ongoing. • Report on Mineral Title determination process and legislation completed.
Petroleum Geoscience	• Analysis of oil and gas resource potential completed for northeast British Columbia (deep gas and tight gas). • Developed resource assessments for interior basins. • Acquired regional oil and gas studies for northeast British Columbia. • Completed a number of geoscience studies for interior basins.
Fiscal Policy Development	• Developed and implemented the first coalbed methane specific royalty mechanism in Canada.

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Energy and Minerals

Energy and Minerals is responsible for the management of the Province's petroleum, natural gas, coal, geothermal and mineral resources and for the regulation of the industries that explore for and develop those resources. Energy and Minerals responsibilities include:

- Conduct geoscientific field studies and determine coal, geothermal and mineral potential reserves;
- Manage disposition of subsurface resources;
- Regulate mineral, coal, industrial mineral, placer and aggregate industries for health and safety and environmental responsibility;
- Lead fiscal policy development and market analysis related to mineral, industrial mineral coal, and aggregate resources to stimulate responsible development of the resource and accrue appropriate benefits to the Province;
- Promote opportunities for investment in the minerals and energy sectors through development and implementation of a comprehensive marketing plan;
- Develop and implement scientifically based environmental standards for resource development; and
- Negotiate fair compensation for mineral and coal titles expropriated for the creation of parks.

Key Programs	Outputs
Mining Exploration Tax Credit	• Worked with the Ministry of Finance to obtain a three-year extension of this program.
BC Mining Flow through Share Tax Credit	• Worked with Federal and Provincial officials and industry on a two-year extension.
Promote Opportunities for Investment in Minerals Sector	• Led provincial government work to facilitate construction and operation of Stewart Omineca Resource Road.
Redraft of the Health, Safety and Reclamation Code for Mines in British Columbia	• Revised code (in conjunction with industry and labour) leading to a results based format and the reduction of 30.2 per cent of the regulatory requirements.

Key Programs	Outputs
Management of Subsurface Resource Rights (disposition and administration of petroleum, natural gas, mineral, coal and geothermal rights)	• Recorded 30,709 mineral claim units (34 per cent more than in 2001/02). • Issued 21,347 hectares of new coal licenses (17 per cent less than in 2001/02). • Sold 828,144 hectares of petroleum and natural gas rights (21 per cent more than in 2001/02). • $280 million revenue from sales of petroleum and natural gas rights (10 per cent less than in 2001/02). • $52 million revenue from petroleum and natural gas rights rentals and administration fees (7 per cent more than in 2001/02). • $5 million revenue from coal rights rentals and coal and mineral rights administration fees (17 per cent more than in 2001/02).
Mineral Rights Compensation (compensation for mineral and coal titles expropriated for park creation)	• Negotiated agreements with 10 individual holders of mineral rights. • Settled 44 mineral titles for $469,981.
Mineral Titles Online Project (moving towards a map selection method of mineral rights acquisition)	• Conversion of 57 per cent of the base mapping to the standard required for MTO project completed.
Publications	• Fuelling North America's Energy Future. • Health, Safety and Reclamation Code for Mines in British Columbia. • Geological Fieldwork 2002.
Geoscience Surveys	• Published two bulletins, 23 reports, the Geological Fieldwork volume and a number of brochures. • Released new geochemical data for Bella Coola area that led to mineral claim staking. • Discovered a new copper occurrence near Atline that led to a staking rush.
MapPlace and Geoscience Databases	• MapPlace continues to be a primary web-portal for access to British Columbia, with over 1,200 hits per day. • New data layers added to site, including coal boreholes and regional aero magnetic data mineral occurrence. • Assessment report and databases are used weekly by mineral exploration sector.
Public-private Partnerships in Targeted Geoscience	• 13 partnerships established, several were multiple-partner projects. • Raised over $100,000 in industry support. • Resulted in new geoscience maps and reports to enhance mineral potential across the Province.

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Resource Development

Resource Development is responsible for the evaluation, strategic planning and policy development with regard to the Province's electricity, alternative energy, mining, oil, gas and other subsurface resources. Resource Development responsibilities include:

- Determination and assessment of subsurface resources and developments;
- Administration of First Nation revenue sharing agreements and the Vancouver Island Natural Gas Pipeline Agreement;
- Encourage First Nations involvement in mining and oil and gas industries by developing consultation policy and guidelines;
- Socio-economic and environmental assessments of resource developments and resource use options;
- Collection and dissemination of statistics, analysis and forecasting of market conditions, promotion and marketing of provincial resource potential; and
- Development and implementation of electricity policy, including administration of the Columbia River Treaty, the *Utilities Commission Act*, *Power for Jobs Act*, and *Energy Efficiency Act*.

Key Programs	Outputs
Develop and implement the Energy Plan.	• Developed *Energy for Our Future: A Plan for BC*, a comprehensive policy for electricity, natural gas, alternative energy and coal sectors. Initiated implementation of the Energy Plan including developing terms of reference for the BCUC Inquiry into an electricity heritage contract, stepped rates and transmission access. Also, eliminated the requirement to obtain energy removal certificates to remove natural gas and electricity from the Province.
Participation in regulatory proceedings in support of Ministry goals to: increase investment in and development of energy projects; increase access of provincial resources to markets; and, ensure a secure, reliable, affordable energy supply.	• Led Provincial intervention in NEB-CEAA hearing on the Georgia Strait Crossing natural gas pipeline project. • Led Provincial intervention in BCUC hearings on BC Gas Utility and Centra Gas BC (both now Terasen Gas) 2003 Revenue Requirement applications to advocate reliable provision of natural gas to consumers at stable, reasonable rates.
Columbia River Treaty Downstream Benefits (DSB).	• Management of the DSB entitlement, valued at approximately $100 Million for the year.
Socio-economic and environmental assessments of resource developments.	• Participated in environmental assessment of the Inland Pacific Connector natural gas pipeline project, Coursier Dam Decommissioning, Vancouver Island Generation Project, Forrest Kerr hydro-electric project and the Stewart Bulk Terminal. Participated in Land and Water BC review process for several project including Cloudworks Energy, Furry Creek and McNair Creek.

Key Programs	Outputs
Economic assessments of resource developments and development of resource policy.	• Completed 2002 BC Natural Gas Competitiveness Study.
Subsurface resource assessments.	• Developed methodology for valuation of subsurface mineral, oil and gas resources for use in land use planning and treaty settlements.
Collection and dissemination of statistics, analysis and forecasting of market conditions, promotion and marketing of provincial resource potential.	• Compiled and analyzed comprehensive statistics on British Columbia mining industry. Provided timely and accurate analysis of market conditions, industry and companies. • Monitored and prepared forecasts of electricity production and sales. • Alternative energy industry baseline report and monitoring undertaken to quantify the size and growth of this emerging sector.
Administration of First Nation revenue sharing agreements.	• Administered the disbursement of $900,631 in revenue sharing to Fort Nelson First Nation and disbursement of $1,079,875 in revenue sharing to Blueberry River and Doig River First Nations.
Encouraging First Nations involvement in mining and oil and gas industries by developing consultation policy and guidelines.	Developed and implemented: • Aboriginal consultation procedures for petroleum, natural gas and geothermal tenure sales. • Coalbed methane information sessions with 19 First Nations, including one site visit to an operational CBM field. • A coalbed methane economic measures information forum for aboriginal representatives in Comox. Assisted in ensuring First Nation consultation requirements were met for Tulsequah Chief Mine project. Completed third year of five Year Archaeological Overview Study, with drafts of predictive model, to aid in determining the need for archaeological assessments for oil and gas developments in northeast British Columbia.

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Corporate Services

Corporate Services provides administrative and Ministry executive support, including the Deputy Minister's office. This is a shared service with the Ministry of Competition, Science and Enterprise.

Key Programs	Outputs
Financial management of Ministry budget and related activities.	• Managed Ministry budget to ensure goals are achieved. • Completion of financial year-end and service plan.
Transition to shared services model of service delivery.	• Implementation of shared services model on information technology, human resources, payroll and accounts payable. • Led and trained staff on new processes.
Human resource management.	• Implementation of workforce adjustment program. • Implementation of Government's vision for renewal of the public service.

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Ministry Goals, Objectives and Key Strategies

This section details the goals, objectives and supporting strategies the Ministry pursued in 2002/03. The goals relate to increasing investment in energy and mineral resource development, maintaining high environmental and safety standards, and being a responsive and accountable organization. As such, they directly support the Ministry's vision of being a catalyst and facilitator for developing thriving and competitive energy and mineral resource sectors in British Columbia.

This section identifies the goals, objectives and strategies and links them to the Ministry's core business areas.

1. To increase investment in energy and mineral resource development in British Columbia:

This goal focuses on implementing strategies that will make British Columbia a more globally and regionally competitive investment location, and in so doing increase direct investment in the energy and mineral sectors. Strategies will be designed to make investing in British Columbia's resource sectors more efficient, cost-effective and certain. Its objectives include:

- Double oil and gas production in British Columbia by 2011;
- Generate $20 billion worth of cumulative investment in the oil and gas sector by 2008;
- Stimulate and facilitate initial coalbed methane production;
- Increase mining exploration and development activity;
- Stimulate investor interest in British Columbia's alternative energy sectors;
- Development of pre-tenure and land use planning processes to allow for environmentally responsible resource development; and
- Implement components of Government's energy policy pertaining to electricity.

2. To maintain high environmental, and health and safety standards:

This goal focuses on ensuring resource exploration and production activities are carried out in accordance with environmental standards, and health and safety requirements. Its objective is:

- Maintain high environmental and health and safety standards.

3. To be a responsive, adaptable and accountable organization:

This goal focuses on developing an organizational structure enabling the Ministry to respond to changing business environments, as well as support staff in the delivery of their functions. Its objective is:

- Implement a responsive, adaptable and accountable organization, with the skills and abilities to meet the objectives in the Ministry Service Plan.

Performance Reporting

This section contains two sets of tables. The first set identifies the Ministry's goals, objectives and strategies pertaining to core business areas and show the linkages between goals and the Ministry's key strategies.

The second set of tables identifies the Ministry's performance measures and targets for 2002/03. When variances between targets have occurred, explanations are included.

Links Between Goals, Core Business Areas, Objectives and Strategies

Goal 1: To Increase Investment in Energy and Mineral Resource Development in British Columbia

Core Business	Objective	Strategies
New Ventures/Energy and Minerals	Double oil and gas production in British Columbia by 2011.	• Develop and implement regulatory processes to provide clarity. • Enhance one-window regulatory authority for oil and gas.
Energy and Minerals/ Resource Development	Generate $20 billion of cumulative investment in the oil and gas sector by 2008.	• Develop and implement a marketing strategy to promote British Columbia's resource investment opportunities. • Participate in relevant investment related trade missions. • Promote British Columbia's resource investment opportunities to major oil and gas producers that do not currently operate in British Columbia.

Core Business	Objective	Strategies
Energy and Minerals	Stimulate and facilitate initial coalbed methane (CBM) production.	• Develop and implement a competitive regulatory framework and royalty regime to facilitate CBM production. • Continue development of CBM databases and geoscience projects.
	Increase mining exploration and development activity.	• Expedite permit issuance by implementing a one-window permitting authority for mining. • Continue development and refinement of mining strategy to stimulate exploration and development. • Provide for mineral access and development requirements in all land planning initiatives. • Develop and deliver projects to increase opportunities for First Nations in subsurface and resource development. • Enhance mineral title administration by moving towards a map selection system.
Resource Development	Stimulate investor interest in British Columbia's alternative energy sectors.	• Develop and implement a strategy to position British Columbia as a center of expertise for the development of certain key alternative energy technologies.
	Implement components of Government's energy policy pertaining to electricity.	• Develop strategies to implement those components of the energy policy pertaining to electricity.

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	Implement components of Government's energy policy pertaining to electricity.	• Develop strategies to implement those components of the energy policy pertaining to electricity.

Goal 2: To Maintain High Environmental and Health and Safety Standards

Core Business	Objective	Strategies
Energy and Minerals	Maintain high environmental and health and safety standards.	• Complete site inspections at all mines. • Conduct health and safety inspections at each mine. • Implement risk-based reclamation security guidelines. • Publish baseline and trend information on energy and mineral sector emissions intensity. • Develop regulatory and fiscal regime to encourage safe disposal of acid gas. • Implement royalty exemption for "otherwise flared" gas. • Define mitigation strategy for coalbed methane production environmental issues.

Goal 3: To be a Responsive, Adaptable and Accountable Organization

Core Business	Objective	Strategies
Corporate Services	Implement a responsive, adaptable and accountable organization.	• Review alternative service delivery models and implement the preferred organizational structure. • Implement new organizational model.

Performance Measures and Targets by Core Business

Goal 1: To increase Investment in Energy and Mining Resource Development in British Columbia

Core Business: New Ventures/Energy and Minerals				
Objective	Performance Measure	2002/03 Target	2002/03 Actual	Variance (see notes below)
Double oil and gas production in British Columbia by 2011.	Achieve a 33 per cent increase in oil and gas production by the end of 2004/05.	Achieve a 10 per cent increase in oil and gas production over 2001/02 levels.	Target Not Achieved: • 1 per cent increase in 2002 gas production.	• The volume of gas increased by 1 per cent.
			• 8 per cent decline in 2002 crude oil production.	• Crude oil declined 8 per cent.
	Achieve a 20 per cent increase in oil and gas exploration (drilling) activity annually for the next three years.	Achieve a 20 per cent increase in oil and gas exploration (drilling) activity over 2001/02 levels.	Target Not Achieved: • 14.5 per cent increase in oil and gas exploration (drilling).	• 5.5 per cent variance.

Variances

The oil and gas sectors did not achieve a 10 per cent increase in oil and gas production due to higher than expected declines in the Ladyfern field. Also, the National Energy Board deferred approval for the Grizzly Valley extension and Kwoen gas plant.

Oil and gas exploration did not meet anticipated targets due to one of the shortest drilling seasons on record as a result of unseasonably warm winter weather.

Drilling activity was affected as a result of very high drilling activity in the previous year, along with low gas prices and uncertainty in corporate finances (e.g. Enron), which, in turn, lead to lower that anticipated cash flow availability for companies to conduct new drilling activities.

Goal 2: To Maintain High Environmental and Health and Safety Standards

Core Business	Objective	Strategies
Energy and Minerals	Maintain high environmental and health and safety standards.	• Complete site inspections at all mines. • Conduct health and safety inspections at each mine. • Implement risk-based reclamation security guidelines. • Publish baseline and trend information on energy and mineral sector emissions intensity. • Develop regulatory and fiscal regime to encourage safe disposal of acid gas. • Implement royalty exemption for "otherwise flared" gas. • Define mitigation strategy for coalbed methane production environmental issues.

Goal 3: To be a Responsive, Adaptable and Accountable Organization

Core Business	Objective	Strategies
Corporate Services	Implement a responsive, adaptable and accountable organization.	• Review alternative service delivery models and implement the preferred organizational structure. • Implement new organizational model.

Performance Measures and Targets by Core Business

Goal 1: To increase Investment in Energy and Mining Resource Development in British Columbia

Core Business: New Ventures/Energy and Minerals				
Objective	Performance Measure	2002/03 Target	2002/03 Actual	Variance (see notes below)
Double oil and gas production in British Columbia by 2011.	Achieve a 33 per cent increase in oil and gas production by the end of 2004/05.	Achieve a 10 per cent increase in oil and gas production over 2001/02 levels.	Target Not Achieved: • 1 per cent increase in 2002 gas production.	• The volume of gas increased by 1 per cent.
			• 8 per cent decline in 2002 crude oil production.	• Crude oil declined 8 per cent.
	Achieve a 20 per cent increase in oil and gas exploration (drilling) activity annually for the next three years.	Achieve a 20 per cent increase in oil and gas exploration (drilling) activity over 2001/02 levels.	Target Not Achieved: • 14.5 per cent increase in oil and gas exploration (drilling).	• 5.5 per cent variance.

Variances

The oil and gas sectors did not achieve a 10 per cent increase in oil and gas production due to higher than expected declines in the Ladyfern field. Also, the National Energy Board deferred approval for the Grizzly Valley extension and Kwoen gas plant.

Oil and gas exploration did not meet anticipated targets due to one of the shortest drilling seasons on record as a result of unseasonably warm winter weather.

Drilling activity was affected as a result of very high drilling activity in the previous year, along with low gas prices and uncertainty in corporate finances (e.g. Enron), which, in turn, lead to lower that anticipated cash flow availability for companies to conduct new drilling activities.

Core Business: Energy and Minerals/Resource Development				
Objective	Performance Measure	2002/03 Target	2002/03 Actual	Variance
Generate $20 billion worth of cumulative investment in the oil and gas sector by 2008.	Increase investment in the oil and gas sector.	Generate $3.3 billion worth of investment in oil and gas.	Target Achieved: • $3.6 billion worth of capital investment in British Columbia's oil and gas sector.	• 9 per cent increase; achieved $0.3 billion more investment than the targetted $3.3 billion.

Core Business: Energy and Minerals				
Objective	Performance Measure	2002/03 Target	2002/03 Actual	Variance
Stimulate and facilitate coalbed methane production.	Have industry evaluate specific coalfields.	Commence drilling exploratory CBM wells.	Target Achieved: • 3 test holes and 3 wells drilled.	
	Commence commercial CBM production.		• Ongoing testing of CBM production characteristics.	
Increase mining exploration and development activity.	Increase British Columbia's share of national exploration expenditures from its current level of 8 per cent to 10 per cent by 2004/2005.	Maintain British Columbia's 8 per cent share of national exploration expenditures.	• Preliminary figures indicate that exploration expenditures in British Columbia reached 8 per cent of the national total.	
	Realize $300 million in capital investment in new or existing mines in British Columbia by 2004/05.	Achieve $50 million in capital investment.	Target Achieved: • Preliminary figures indicate capital investments of $87 million.	• $37 million.
Stimulate investor interest in British Columbia's alternative energy sectors.	Increase investment in British Columbia alternative energy sector.	Develop a baseline measure of investment in British Columbia's alternative energy sector.	Target Achieved: • British Columbia Alternative Energy Investment Baseline developed.	

Core Business: Energy and Minerals				
Objective	Performance Measure	2002/03 Target	2002/03 Actual	Variance
Implement components of Government's energy policy pertaining to electricity.	To be determined.	To be determined.	Energy for our Future: A Plan for BC was released in November 2002. Outcomes as of March 31, 2003: • BC Hydro entered into an agreement with Accenture to outsource the delivery of services. • The current rate freeze for BC Hydro was not extended. • BC Hydro submitted an application for the Vancouver Island Generation Project. • Final emission guidelines for coal-fired power plants are in place. • Electricity and natural gas energy removal certificates are exempted from regulation.	

Core Business: Energy and Minerals/Resource Development				
Objective	**Performance Measure**	**2002/03 Target**	**2002/03 Actual**	**Variance**
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Goal 2: To Maintain High Environmental and Health and Safety Standards

Core Business: Energy and Minerals				
Objective	Performance Measure	2002/03 Target	2002/03 Actual	Variance
Maintain high environmental and health and safety standards.	Accident frequency rate of 2.5 or less. (Accidents requiring medical attention X 200,000 hours/ total number of hours worked).	Accident frequency rate of 2.5 or less.	Target Achieved: • Accident frequency at the Province's major mine sites was 1.84.	0.66

Goal 3: To Be a Responsive and Accountable Organization

Core Business: Corporate Services				
Objective	Performance Measure	2002/03 Target	2002/03 Actual	Variance
Implement a responsive, accountable and adaptable organization.	Implement new organization structure.	Attain Treasury Board approval for implementation of new organizational structure.	Target Achieved: • Obtained approval as required.	
		Commence implementation of new structure.	Target Achieved: • Implementation completed.	

Deregulation

The Ministry has actively participated in all aspects of Government's deregulation initiatives. The Ministry's baseline regulation count as of June 2001 was 17,814 and the target for June 2004 is 11,900, a reduction of 5,914 regulations. The Ministry will reduce its regulations by 11 per cent in the three fiscal years from 2002/03 to 2004/05, with the target to be achieved by June 2004.

In 2002/03, the Ministry eliminated 2,657 regulations or about 15 per cent of its count. This reduction has been achieved in part through revisions to the Health, Safety and Reclamation Code for Mines in British Columbia, which will permit the replacement of prescriptive by performance based regulations, and by strengthening the role of the Oil and Gas Commission as a single window regulatory agency.

Report on Resources

2002/03 Resource Summary by Core Business Areas

	Estimated	Other Authorizations	Total	Actual	Variance
Operating Expenses ($000)					
1. New Ventures	4,023	—	4,023	3,295	728
2. Energy and Minerals	12,990	—	12,990	16,983	(3,993)
3. Resource Development	3,664	—	3,664	3,781	(117)
4. Corporate Services	3,404	—	3,404	4,065	(661)
Minister's Office	498	—	498	391	107
Columbia Basin Trust	2,000	—	2,000	2,000	—
BC Utilities Commission	1	—	1	—	1
Resource Revenue Sharing Agreements	2,500	—	2,500	1,981	519
VIGAS — Special Accounts	214	720[1]	934	934	—
VIGAS — Agreements	20,850	—	20,850	13,522	7,328
Mine Improvement	—	61[2]	61	61	—
Total	**50,144**	**781**	**50,925**	**47,013**	**3,912**
Full-time Equivalents (FTEs)					
1. New Ventures	13	—	13	19	(6)
2. Energy and Minerals	144	—	144	133	11
3. Resource Development	43	—	43	33	10
4. Corporate Services	12	—	12	8	4
Minister's Office	5	—	5	4	1
BC Utilities Commission	26	—	26	19	7
Total	**243**	**—**	**243**	**216**	**27**
Ministry Capital Expenditures (CRF) ($000)					
1. New Ventures	342	—	342	4	338
2. Energy and Minerals	465	—	465	29	436
3. Resource Development	80	—	80	127	(47)
4. Corporate Services	85	—	85	—	85
BC Utilities Commission	30	—	30	—	30
Total	**1,002**	**—**	**1,002**	**160**	**842**
Other Financing Transactions ($000)					
Columbia Basin Accord	50,000	—	50,000	50,000	—

[1] Statutory Appropriation — Completion of Special Account.
[2] Mine Remediation.

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BC Utilities Commission	26	—	26	19	7
Total	**243**	**—**	**243**	**216**	**27**
Ministry Capital Expenditures (CRF) ($000)					
1. New Ventures	342	—	342	4	338
2. Energy and Minerals	465	—	465	29	436
3. Resource Development	80	—	80	127	(47)
4. Corporate Services	85	—	85	—	85
BC Utilities Commission	30	—	30	—	30
Total	**1,002**	**—**	**1,002**	**160**	**842**
Other Financing Transactions ($000)					
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2002/03 Resource Summary Mirroring the *Estimates* Vote Structure

	Estimated	Other Authorizations	Total	Actual	Variance
Operating Expenses ($000)					
Minister's Office	498	—	498	391	107
Corporate Services	9,427	—	9,427	11,616	(2,189)
Energy and Minerals	12,990	—	12,990	14,012	(1,022)
Resource Development	24,514	—	24,514	18,018	6,496
Total — Ministry Operations	47,429	—	47,429	44,037	3,392
BC Utilities Commission	1	—	1	—	1
Resource Revenue Sharing Agreement	2,500	—	2,500	1,981	519
Special Account					
Vancouver Island Natural Gas Pipeline	214	720[1]	934	934	—
Other					
Mine Improvement		61[2]	61	61	—
Total	**50,144**	**781**	**50,925**	**47,013**	**3,912**
Full-time Equivalents (FTEs)					
Total	**243**	**—**	**243**	**216**	**27**
Ministry Capital Expenditures (CRF) ($000)					
Corporate Services	427	—	427	4	423
Energy and Minerals	465	—	465	29	436
Resource Development	80	—	80	127	(47)
BC Utilities Commission	30	—	30	—	30
Total	**1,002**	**—**	**1,002**	**160**	**842**
Other Financing Transactions ($000)					
Columbia Basin Accord	50,000	—	50,000	50,000	—

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Columbia Basin Accord	50,000	—	50,000	50,000	—

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Commentary:

The Ministry of Energy and Mines realized a savings in 2002/03 of $3.9 million. Payments related to the Vancouver Island Gas Pipeline Project (VIGAS) are directly proportioned to prices, resulting in unexpected funds of $7.3 million.

Treasury Board approved Contingencies access for three projects: Offshore Oil and Gas ($2.15 million), Revenue Generation proposals ($5 million) and Energy Policy Implementation ($2.0 million). Project costs totaled $3.3 million, which was covered by VIGAS savings within the Ministry's allocation.

The VIGAS Special Account, for the "Clean Choice" conversion program, was paid out under agreement to Centra Gas (Terasen).

Annual Service Plan Report Appendices

Glossary of Ministry of Energy and Mine Terms

Acid Gas	The hydrogen sulphide and/or carbon dioxide contained in or extracted from gas or other streams.
Climate Change	Climate change is the change in the "average weather" that a given region experiences. Average weather includes all the features associated with the weather such as temperature, wind patterns and precipitation. Climate change on a global scale refers to changes in the climate of the earth as a whole.
Coalbed Methane	Coalbed methane is gas formed by biochemical and physical processes during the conversion of plant material into coal. Methane constitutes the majority of gases created during the conversion process. It is similar to conventional natural gas, but is produced from low-pressure underground coal formations rather than from underground sandstone or carbonate rock formations. It is referred to as "sweet gas" as it typically contains very few impurities such as hydrogen sulphide and carbon dioxide normally found in natural gas.
Geoscience	The study of earth sciences, including geology, geochemistry, geophysics. At the Ministry of Energy and Mines, it includes geological mapping, resource evaluation, and economic geology as it relates to metallic minerals, coal and energy products and oil and gas.
Geothermal Resources	Geothermal resources include the earth's natural heat and all substances that get added value from it. This includes steam, water, water vapour, and all substances dissolved in the steam, water or water vapour obtained from a well. It does not include water at less than 80 degrees centigrade at the surface or hydrocarbons.
Reclamation	The act of returning the land and watercourses disturbed by mining to a productive use, equal to or better than the pre-mining condition.
Tight Gas	Gas with very low flow rates that is found in sedimentary layers of rock that are cemented together so tight that it greatly hinders that extraction. Getting tight gas out usually requires enhanced technology like "hydraulic fracturing" where fluid is pumped into the ground to make it more permeable.

Crowns, Agencies, Boards and Commissions Reporting to the Minister of Energy and Mines

Assayers Certification Board of Examiners

An independent board of examiners drawn from educators and industry to oversee the assayers certification program, which is authorized in the Ministry of Energy and Mines. This ensures that assayers practicing in British Columbia meet the high standards of competency required by the mining and securities industries. Since the program was introduced, over 600 assayers have been certified. British Columbia is the only mining jurisdiction in the world that requires assayers to pass a rigorous practical examination before being certified.

BC Hydro

A provincial Crown corporation that is regulated by the BC Utilities Commission. BC Hydro's mission is to provide integrated energy solutions to customers in an environmentally and socially responsible manner.

BC Utilities Commission

A regulatory agency operating under and administering the *Utilities Commission Act*. The Commission's mission is to ensure that ratepayers receive safe, reliable, and nondiscriminatory energy services at fair rates from utilities it regulates, and that shareholders of those utilities are afforded a reasonable opportunity to earn a fair return on their invested capital.

Columbia Basin Trust

A regional corporation created in 1995 to work with residents of the Columbia Basin to promote social, economic and environmental well being in the region most affected by the Columbia River Treaty.

Columbia Power Corporation

A Crown corporation wholly owned by the Province. Pursuant to the Columbia Basin Accord signed in 1995, the Columbia Power Corporation's mandate is to undertake power project investments as the agent of the Province on a joint venture basis with the Columbia Basin Trust.

Mediation and Arbitration Board

Provides mediation and arbitration support if parties have difficulty reaching an agreement for oil and gas activity that takes place on private land. The owner has surface title, while the Province retains the rights to subsurface minerals, including petroleum, and natural gas. Companies that acquire rights to carry out this activity must compensate affected property owners.

Oil and Gas Commission

The provincial agency that regulates the crude oil, natural gas and pipeline activities in British Columbia. Its mandate is to provide efficient processes for the review of applications related to the oil and gas sector, ensuring that decisions are made in the public interest — having regard for environmental, economic and social impacts.

Legislation Administered by the Ministry of Energy and Mines

Coal Act

Columbia Basin Trust Act

Economic Electricity Rate Act

Energy Efficiency act

Fort Nelson Indian Reserve Minerals Revenue Sharing Act

Gas Utility Act

Geothermal Resources Act

Hydro and Power Authority Privatization Act

Hydro Power Measures Act

Indian Reserve Mineral Resource Act

Mineral Land Tax Act

Mineral Tax Act

Mineral Tenure Act

Mines Act

Mining Right of Way Act

Mining Rights Amendment Act

Ministry of Energy and Mines Act

Natural Gas Price Act

Oil and Gas Commission Act

Petroleum and Natural Gas (Vancouver Island Railway Lands) Act

Petroleum and Natural Gas Act

Pipeline Act

Power for Jobs Development Act

Utilities Commission Act

Vancouver Island Natural Gas Pipeline Act